Tax Saving Bonds by Punjab State Co-operative Bank

3253. SHRIMATI SUKBUNS KAUR: Will the Minister of FINANCE be pleased to state:

(a) whether the State Government of Punjab has submitted any proposal that the Punjab State Co-operative Banks may be allowed to raise funds through Tax Saving bonds of the duration of more than three years, as are being floated by ICICI, IDBI and other banks to help reduce the cost of agricultural credit and make adequate funds available for farm-operations; and

(b) if so, what is Government's decision thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) and (b) No Sir, no such proposal has been received from the State Government of Punjab.

However, Section 80-C of the Income Tax Act, as amended by the Finance Act, 2006, provides for a deduction in respect of investment made in a term deposit for a fixed period of not less than five years with a Scheduled Bank, which is in accordance with a scheme framed and notified by the Central Government in the Official Gazette for this purpose.

Since the Punjab State Co-operative Bank is a Scheduled Bank, investment in its five-year term deposit scheme, which is in accordance with the scheme framed and notified by the Central Government, shall, subject to the conditions laid down in section 80 C, be eligible for tax benefit.

Levy of hidden charges for services provided by Banks

3254. SHRI C. PERUMAL: Will the Minister of FINANCE be pleased to state:

(a) whether many banks including nationalized and private banks levy a host of hidden charges for various services provided by them;

(b) if so, the details thereof; and

(c) the action taken to ensure that banks do not harass and exploit customers?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The Reserve Bank of India (RBI) has received representations from the public about unreasonable

and non-transparent service charges/hidden charges being levied by banks, especially with respect to non-maintenance of minimum balance in account, delayed payment on credit card dues, remittance charges, ATM/Debit card fees etc.

(c) RBI has issued Fair Practives Code for Lenders in May 2003 advising scheduled commercial banks and All India Financial Institutions not to resort to undue harassment of the borrowers including credit card holders. RBI has also issued guidelines on credit card operations on 21.11.2005, which cover almost all issues concerning credit card operations like interest and other charges, wrongful billing, protection of consumer rights, rederssal of grievances etc. Further, in order to ensure fair practices in banking services, Governor, RBI has, in the Annual Policy Statement for the year 2006-07, proposed to make it obligatory for banks to display and update, in their offices/branches as also on their website, the details of various service charges in a format to be approved by the Reserve Bank and to constitute a Working Group comprising of the Indian Banks' Association (IBA) and representatives of customers to formulate a scheme for ensuring reasonableness of bank charges and to incorporate the same in the Fair Practice Code, the compliance of whcih would be monitored by the Banking Codes and Standards Board of India (BCSBI). The Banking Ombudsman Scheme, 2006 has been notified w.e.f. 1st January, 2006 enlarging the scope of the scheme to cover customer complaints in areas such as levying service charges without prior notice to the customer and non-adherence to the Fair Practices Code as adopted by the banks, credit card complaints, deficiency in providing the services assured by the banks through their agents etc.

Credit flow to small and medium Enterprises

3255. SHRI C. RAMACHANDRAIAH: Will the Minister of FINANCE be pleased to state:

(a) the amount of loans given out by Public Sector Banks in the last two years to small and medium enterprises, particularly in Andhra Pradesh;

(b) whether it is a fact that banks are willing to forego the default risk premium while charging interest rates from small and medium enterprises that have a clean record and have a higher credit rating;